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ABSTRACT

This handbook consists of information related to the licensing and funding of child care centers (which serve children aged 2 years, 10 months to 6 years) in the Chicago area. Included are: (1) a brief outline of some basic issues in the development of a child care center; (2) lists of Chicago and Illinois licensing requirements and helpful suggestions; (3) an organizational chart of licensing agencies; (4) sources of government funding for day care (local, state, and federal); guidelines for establishing fees; (6) major and minor start-up expenses and sample budgets; and (7) some basic cash flow problems that may be encountered. (ED)

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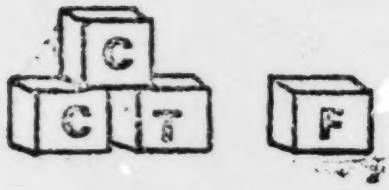

CHILD CARE TASK FORCE

HANDBOOK ON CHILD CARE CENTER LICENSING AND FUNDING

PS 007921

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The Child Care Task Force is a Chicago based group which gives organizing and technical assistance to developing and existing child care centers on a variety of start-up and operating problems. The attached handbook was put together from working papers developed for a workshop on licensing and funding child care centers in the Chicago area.

In addition to holding periodic workshops, the Task Force does individual consulting with centers on specific problems, such as planning a budget, developing curriculum, fundraising, and developing operating structures. The Task Force has also enlisted the help of architects, lawyers, teachers and accountants to assist not-for-profit centers on problems requiring specific professional expertise.

It should be made clear that information in this handbook deals with day care centers, serving children between the ages of 2 years 10 months and 6 years. Regulations and procedures are different, and more stringent, for day care facilities for younger children.

Outline of some of the issues you will need to deal with at an early stage of your center's development.

I. What is the need for child care?

a. From what geographic area do you plan to draw your children?
b. What are income levels in that area?
c. How have you assessed the need for child care services in this area?

II. What facility will you use?

a. Do you have a site in mind?
b. Is it available for your use? How much will it cost?
c. How many children does it have space to serve?
d. Does it seem to meet the broad building requirements that you can see (e.g. it is on the first floor or basement)?
e. Is it in good physical condition?

III. What will be your funding structure?

a. Will you be for profit or not-for-profit?
b. How will you finance start-up costs?
c. What on-going sources of funding are available to you?
d. If you charge parents fees to cover all or part of your costs, will you be charging a flat rate or will you devise a sliding fee scale?

IV. What will your operating goals be?

a. Will you provide medical, social service or other benefits? If so, how will you pay for them?
b. Will you want parent participation? As a social goal, or as a required ingredient to your financial success?
c. What will be the center's program orientation (e.g. concentration on social interaction and development, concentration on learning and school readiness)?
d. Will you include a teacher training program?
e. Will there be requirements for the parent group you will serve (e.g. working parents only)?
f. Do you have political objectives for the center? How will they be communicated? Carried out?

V. What will be the center's decision making structure?

a. If you own the center and are running it for profit, you will be making the key decisions, most likely. If so, how will you build in parent in-put?
b. If it is to be a non-profit center with parent and community involvement, you will need to think about:

1. Who will set policy, and how that group will be chosen.
2. Who will hire and fire the director - the teachers.
3. Who will make policy decisions on classroom program.

CITY LICENSING REQUIREMENTS
Some Considerations When Selecting a Site

1. The building must be in an area zoned to allow a child care center.

2. Centers with which this handbook deals serve children 2-6 years old, and are "Class I" facilities. Organized child care facilities serving infants to 2 year olds are defined as "Class II", and have much more strict licensing requirements, relating to health care and fire provisions mostly.

3. Facilities designed to serve 100 children or less, and located on the first floor or the basement of a building (but not both), are classified as " Type III Schools." Facilities for over 100 children, or located above the first floor are classified as "Type I Schools" and must meet much more difficult licensing requirements, particularly concerned with fire prevention devices.

4. If the center occupies a basement, it may only be up to six feet below ground level and, if it is between two and six feet below ground level, it should have direct exits from the classroom to the outdoors.

5. The center must provide 35 square feet of floor space per child, and 75 square feet of enclosed outdoor play area space nearby.

6. The indoor space must include a separate isolation area for sick children.

7. The ceilings in the structure must be at least 8 feet high.

8. The rooms in the center need 5% outside ventilation.

9. The rooms in the center need 4% natural lighting.

10. Child care centers must be made of non-combustible, fire resistent building materials. If the buildng is made of cement and cinderblock, you probably do not have to worry. If it is constructed out of heavy wood, you will need an expert opinion on whether it meets fire department standards or not.

11. Stairwells of the building must be enclosed and have fireproof doors. All exits must open out from the building, and must be clearly marked.

12. Fire protection and auxiliary electrical systems must exist or be installed in the building.

The following are some of the areas in which you may run into the most difficulties and may have to spend the most time and/or money before your site passes licensing inspection:

1. Provisions for fire detection--fire detectors, sprinkler system, etc.

2. Auxiliary electrical lighting system.

3. Construction materials of walls separating boiler room from main center areas.

(over)

4. Ventilation systems.

5. Kitchen ventilation and dish washing facilities.

6. Wall and door construction in terms of how quickly they will burn.

To make formal inquiries about a license, contact:

Mayor's Office of Child Care Services
123 W. Madison Street
Chicago, Illinois 60603
Phone: 744-7810

ILLINOIS LICENSING REQUIREMENTS
Some of the State's Primary Concerns

1. A six month license permit may be issued to new child care facilities to give them time to become eligible for full license.

   Basis for issuing permits
   a. Record of municipal license approval.
   b. A staff plan for program development and child supervision.
   c. References and medical records for all staff.
   d. Current health records on all enrolled children.
   e. Forms for pertinent information to be kept on children and staff.
   f. A plan indicating that requirements for a full license will be met within the allowed time.
   g. A director who meets the following qualifications:
      Two years' credits from an accredited college
      or
      A high school diploma and three years' experience as a child care center director
      or
      A high school diploma and proof of enrollment in at least a two year program emphasizing early childhood education at an accredited college

2. Application for a new or renewed child care center license must be on file with the state at least three months prior to the opening or renewal date.

3. A state license is good for two years. A center's license must always be on display.

4. Usually if a center meets municipal licensing requirements, the state also approves. The state is more concerned with educational program than physical facility.

5. Staff must have physical examinations within six months prior to employment.

6. Group size and staffing ratio. E.g. for a mixed age group (3-6 yrs) there must be two staff people for every 20 children.

7. Storage requirements:
   a. Shelf space must be provided, accessible to children, for storage of toys and supplies.
   b. Individual storage areas must be provided for children's clothing and belongings.

8. Toys and equipment must include:
   a. Building materials
   b. Transportation and wheel toys
   c. Dramatic play materials
   d. Manipulative toys
   e. Creative arts materials
   f. Literature
   g. Records, musical effects

(over)

9. Indoor space requirements: 35 square feet per child ages 2 and over, adjustable window coverings, washable floors, screens on windows for insect control when necessary, rodent and insect control, radiators screened or protected, clean premises, exit areas clear.

10. Outdoor space requirements: 75 square feet per child, protected from traffic, enclosed, safe climbing areas, well-drained open and sheltered areas provided.

11. Toilet and bath facilities: Restrictions on number of children per number of toilets and lavatories. E.g., for a group of 26-50 children, 3 toilets and lavatories are necessary.

12. Sleeping area: Two feet between cots.

13. Menus to be posted, and submitted upon request.

14. To make formal inquiries about a state license in Chicago, contact:
    Ms. Rose Foster
    Department of Children and Family Services
    Licensing Division, Office of Child Development
    1439 South Michigan, 5th floor
    Chicago, Illinois 60612
    793-3014

SOME HELPFUL HINTS

1. The Mayor's Office of Child Care Services can provide some useful tools to assess child care need and to help in planning:

   a. It can provide a profile of your community--indicating how many child care centers already exist, how many working parents are in the area, and how many children of child care age are in the community. This can be very helpful in determining need.

   b. The Mayor's Office of Child Care will also help you prepare your own community survey to specifically assess the current demand for child care in your area.

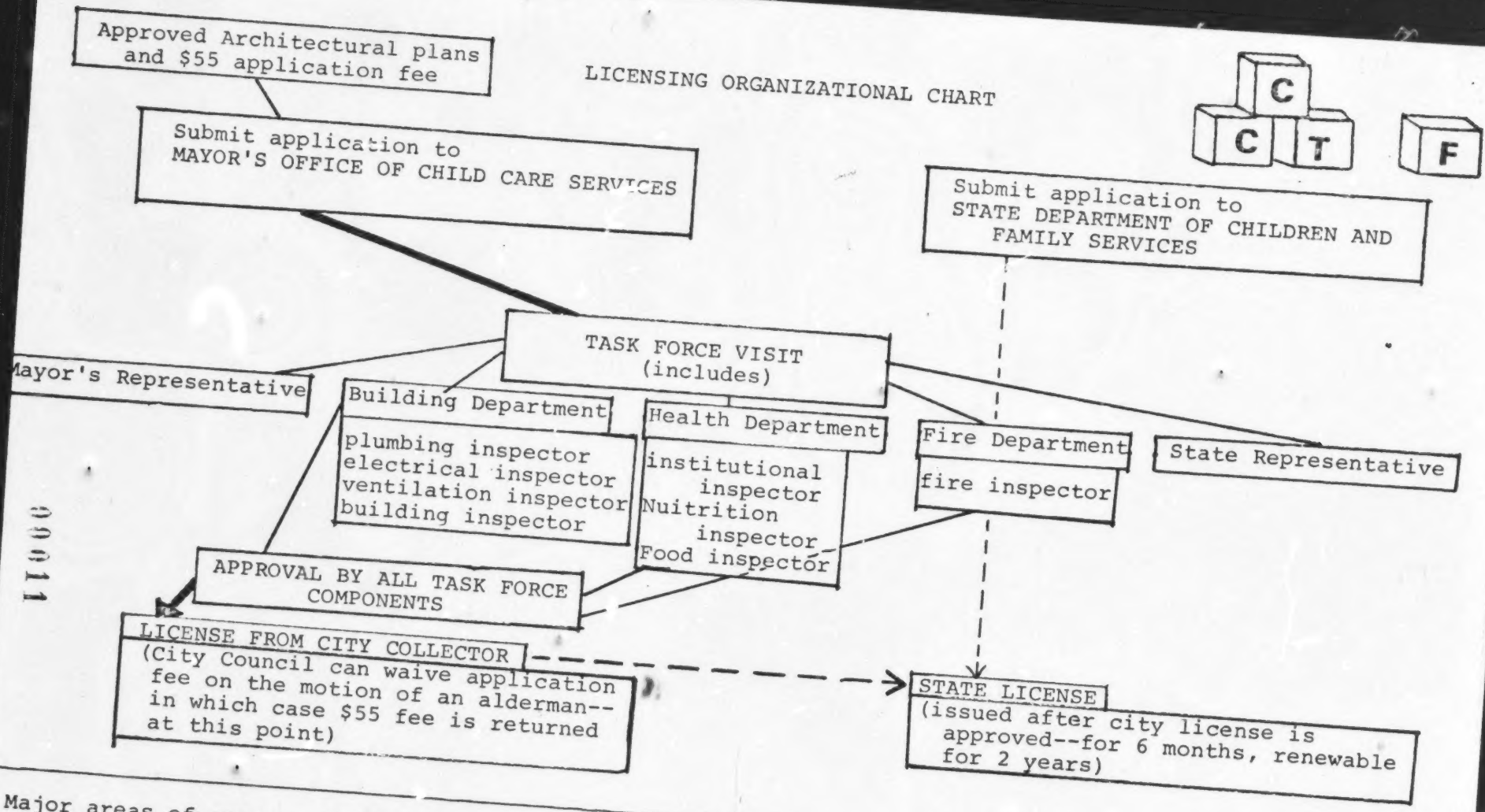
2. The procedure for getting a building approved for a license is complex. When you have located what seems like a suitable site, you must find--or have drawn--architectural plans for the building. (For buildings constructed during or after 1957, there should be existing architectural plans on microfilm file in the City of Chicago building department.) You may take your plans to the architectural consultant in the Mayor's Office of Child Care Services, who will either say the site is licensable as is, or will recommend changes to bring the building up to licensing code standards. Next an architect must make drawings of the proposed changes--if they are needed--and these drawings may again be reviewed and approved by the architectural consultant in the Mayor's Office of Child Care Services. At this point either your architect or the Mayor's Office architectural consultant must take the renovation plans to the building department to apply for a permit to make building changes. When the building permit has been approved, you may get construction bids and proceed with the required renovation. It is only after all required changes have been made that you may go back to the Mayor's Office of Child Care Services and submit a formal application for a child care center license! (Note that the actual license will be granted by the City Collector's office in City Hall.)

3. It is during the site approval procedure that you will get your closest, and most frustrating, education in big-city bureaucracies. The Mayor's Office of Child Care Services oversees your application as it makes the rounds to various city departments for approval, and makes an effort to guide it through without hitches. However, the building department does not always agree with the architectural consultant's view of what changes need to be made. The various departments--building, fire, health--do not always agree with each other about what changes are essential to make the building licensable! For this reason, it may be important, in addition to staying in close touch with the Mayor's Office of Child Care Services, to make contact with the individual departments which have to approve specific code areas for licensing, particularly if delays seem longer than they should be and you are not getting a clear picture of what departments and which building features are holding up your approval.

4. After building changes have been made and you have made a formal application for a license, a 10 member Task Force (see chart on the next page) will inspect the center--and they are supposed to do it within 10 working days of the time you file for a license. The inspectors may mention many things they do not like and want changed. However, the municipal code specifically states that notification of code violations must be in writing, and must cite the city code provision which is not being met properly. Do not make any changes or renovations until inspectors from the different Task Force teams send you an official written notice of the violations at your center.

5. Even after you are certain what violations you will have to correct, do not undertake costly changes or renovation until you have thoroughly explored all possible alternative ways of correcting the problems. There may be an acceptable way to correct a licensing problem that is much less expensive than the major renovation you at first feared was required.

6. The yearly license fee for a child care center is $55.00 However, the fee may be waived on the motion of an alderman in a city council meeting. Although you will have to pay the fee initially to apply for the license, you may be able to have it returned to you by asking an alderman to introduce a waiver for you.


Approved Architectural plans and $55 application fee
LICENSING ORGANIZATIONAL CHART
C
C T F
Submit application to MAYOR'S OFFICE OF CHILD CARE SERVICES
Submit application to STATE DEPARTMENT OF CHILDREN AND FAMILY SERVICES
TASK FORCE VISIT (includes)
Mayor's Representative
Building Department
plumbing inspector
electrical inspector
ventilation inspector
building inspector
Health Department
institutional inspector
Nuitrition inspector
Food inspector
Fire Department
fire inspector
State Representative
APPROVAL BY ALL TASK FORCE COMPONENTS
LICENSE FROM CITY COLLECTOR
(City Council can waive application fee on the motion of an alderman--in which case $55 fee is returned at this point)
STATE LICENSE
(issued after city license is approved--for 6 months, renewable for 2 years)

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Major areas of concern within departments:

1. Building
   - Auxiliary electrical system
   - Grade level of basement site (doors to outdoors)
   - Ventilation
   - Natural lighting

2. Health
   - Isolation area
   - Floor and window coverings
   - Kitchen facilities (sinks, fans)
   - Number and size of toilets
   - Health records

3. Fire
   - Fire detection system
   - Thickness and separation of walls
   - Fire doors to corridors
   - Enclosed stairwells

4. State
   - City license
   - Space per child
   - Health records
   - Menus
   - Staff/child ratios
   - Play equipment

Child Care Task Force
Hyde Park-Kenwood Community Conference
1400 East 53rd Street
April, 1974

Sources of Government Funding for Day Care: Local, State and Federal

For more detailed information on the types of funding discussed below, the following offices should be contacted:

Chicago: Mayor's Office of Child Care Services
123 W. Madison Street, 9th Floor
Chicago, Illinois 60602 Phone: 744-7810
Director: Mrs. Murrell Syler

Model Cities
640 North La Salle Street
Chicago, Illinois 60610 Phone: 744-7321
Mr. Nathaniel Vincent, Children's Services Division

State: Office of Resource Development
Illinois Department of Children and Family Services
Springfield, Illinois Phone: 217-525-5019
Administrator: Thomas Villiger

or

Mr. Carlton Williams
Office of Child Development D.C.F.S.
1439 South Michigan Avenue
Chicago, Illinois 60605 Phone: 793-3817

Federal: Office of Child Development
Department of Health, Education and Welfare
300 South Wacker Drive
Chicago, Illinois 60606 Phone: 353-4698

Two other groups may be able to provide helpful information:

- the local chapter of the Illinois League of Women Voters, Phone: Ce 6-0315
- the Day Care Crisis Council of the Chicago Area, 201 No. Wells, Chicago, Illinois; 60606 phone: 332-1722

I. Local Funding

Chicago's Model Cities program has provided day care for several years under a special agreement with the state. Under the program, Model Cities contracts with a private or public agency or a day care center to provide care to low income children in Model Cities or Urban Progress areas. Althoug specific funding sources for Model Cities centers may be shifting around some during the next year, we do anticipate that some money will be made available through the

program to start new centers. Persons in areas serving low income families are encouraged to contact the Model Cities Division of Children's Services.

At present, other than through the Model Cities program, the City provides no money to establish and operate day care centers. Chicago does however, receive Revenue Sharing money, as do many other city governments in the state. Revenue Sharing funds can be used for day care, but to date very little of this money has been allocated to day care anywhere in the country. How these funds are utilized in Chicago is determined by the Mayor's office.

Under Title IV-A of the Social Security Act (see below), local public and, with restrictions, private funds may be matched for federal dollars ($ 1 local, $3 federal). DCFS's Office of Child Development should be able to help a community group understand this program and follow appropriate procedures.

II. State Funding

State funding for day care centers is generally provided through the Office of Child Development, Department of Children and Family Services. The State presently provides most of its funding through contracts with individual centers.

1) Sources of funds: Most contracts are funded with state and federal money provided under Title IV-A of the Social Security Act. The federal regulations governing this money have changed a number of times during the past year, thus creating a great deal of confusion about the program. In general, however, it is important to know that Title IV-A funds can be used to purchase day care for:

   a. children from families who are either receiving public assistance or have received it in the past, or who have limited incomes based on a state standard of need.

   b. children from families who require day care because a parent is working, is in a training program, or is incapacitated.

   Funding under Title IV-A contracts can be used for start-up and operating costs, including staff training. Major renovation and construction costs are not covered.

There is a chance that Congressional or Administration action will again change the Title IV-A regulations' content. Keep in touch with the Child Care Task Force for up to date information. The State Office of Child Development also runs a special program for children from migrant farm families. The Office should be contacted for details.

2) Application procedures: In order to apply for Office of Child Development funds, a program proposal must be submitted to that Office. Contracts are awarded in the late spring and run from July 1 to June 30 of the following year. Preference is given to applications which attempt to achieve the following objectives:

a. Enrollment of children from public assistance and other low income families.
b. Employment of members of families receiving public assistance.
c. Location of the center in a poverty area.
d. Provision of quality educational and social services for both children and parents (e.g., health, preschool education, family counseling, adult education, on-the-job training, transportation).
e. Creation of a board of directors which represents the community at large and parents of children in the center.
f. Inclusion of a fee schedule using a sliding scale allowing parents to pay according to ability.

g. Creation of a day care center that helps organize and maintain neighborhood day care homes ("satellite" system).

A center receiving State funding must have both a state and local license (where required). Other program elements are also looked for in proposals.

Available funds are very limited. It is therefore important to prepare a thorough, imaginative application. It is also important to get a community or neighborhood behind a proposal and have this support expressed publicly, perhaps through a local newspaper or radio and TV. Thorough documentation of why day care is needed in the area is beneficial. A door to door opinion poll can help substantiate this need.

Because State funding is directed toward the poorest families, it is important to try to secure private funding. (The mixing of private and public funds will be explained below.) In general, the Office of Child Development is impressed with hard working, committed people with good ideas.

Money for day care is also available through the Department of Mental Health for mentally retarded and emotionally disturbed children. The Department funds these "day treatment" programs through grants to individual centers or clinics. The Office of Child Development can provide general information on these programs and can refer individuals to the appropriate person in the Department of Mental Health.

The Department of Public Aid provides day care by including money for day care in a recipient's grant or paying a center directly for a child's care. Many recipients need assistance in locating and using day care centers. Persons starting a center in a low income area should make a special effort to locate these mothers and encourage them to enroll their children in their day care center. Public Aid funds may be used for for-profit as well as not-for-profit centers.

III. Federal Funding

1) Title IV-A: Title IV-A funds come through the State, and their use has been explained above. An important provision of this funding is its allowed use as matching with private funds ($1 private for $3 federal). This program, however, is strictly

controlled by the federal government. Several programs are already in operation in the State, though not in the city of Chicago as of yet. Private matching in all programs has been provided by the local Community Fund.

2) Head Start: Head Start is a comprehensive early childhood education program for disadvantaged school children. While in the past Head Start funds have been administered by OEO Community Action Agencies, recent proposed budget changes will bring funds to public and non-profit agencies directly through the Office of Child Development. In Chicago Head Start is administered through the Chicago Committee on Urban Opportunity (CCUO).

3) Nutrition

   a. Special Food Service Program for Children; Administered by the Department of Agriculture, this program provides meals, aid to purchase or rent equipment, and commodities to day care centers where there is a high concentration of working mothers or in low income areas. Funds in Illinois are made available through the State Office of the Superintendent of Public Instruction. For details, contact; Ms. Rosalyn Nathan, School Lunch Program, Cook County Superintendent of Schools, 33 West Grand Boulevard, Chicago, telephone - 443-7622.

   b. Special Milk Program: The Department of Agriculture will reimburse a day care center for part of the cost of milk served. For further information the Office of the Superintendent of Public Instruction (O.S.P.I.) should be contacted.

   c. Donated Commodities Program: For institutions not participating in the Special Food Service Program, this is an excellent source of commodities. Commodities must be used for children from low-income families. Contact O.S.P.I. for further information.

   All the above programs are available only to not-for-profit centers.

4) Educationally Deprived Children in Low-Income Families: In the past, Title I of the Elementary and Secondary Education Act funding has been used to finance an educational component of a day care center program. The Nixon Administration, however, has proposed that this Act be repealed and substituted with a special educational revenue sharing program. Revenue sharing funds would be made available through a state agency and could be used for education of the disadvantaged, handicapped, impact aid, vocational education, and supportive materials such as books. It is therefore likely that use of funds for center programs would be allowed by the federal gevernment, but the final decision would be left to the states. For further information the Title I coordinator in O.S.P.I. should be contacted.

5) Housing Programs

a. Low Rent Public Housing: The Department of Housing and Urban Development has provided space in community buildings and public housing for the provision of day care services. Funds may also be used to renovate public housing apartments or other space to make it suitable for community use. Space made available in these ways is rent free to the provider of day care services. It should be noted, however, that operating funds for centers are not included in this program and must be obtained from other sources. The Chicago Housing Authority or the Federal Housing Administration in the HUD Regional Office should be contacted for further information.

b. Neighborhood Facilities Program: In the past the federal government has provided funds to construct multi-purpose social service facilities. The Nixon Administration has proposed to repeal this program. While community development revenue sharing has been proposed to replace several housing programs, it is unclear whether neighborhood facilities will be allowed under the revenue sharing plan.

6) Office of Child Development of the Federal Department of Health, Education and Welfare-Demonstration Program.

In the past O.C.D. has funded day care center programs with research and demonstration emphases. O.C.D.'s funding priority for this year and next is child abuse. Persons interested in a child development program with a research component should at least check with the Regional O.C.D. office for information and guidance.

7) Medical Care - Medicheck Program.

Under federal law, states are required to provide screening, diagnosis, and treatment for children (age 0 to 21) from low income families (Medicaid grant and MANG eligibles). Day care centers might use this service to provide required physical examinations. Centers might also inform parents of this program and help refer those children who may need diagnostic care.

8) Staff

a. Foster Grandparent Program.

The Foster Grandparent Program provides employment opportunities for senior citizens. Day Care centers who would like to have senior citizens working with their children should call the Mayor's Office of Senior Citizens in Chicago at 744-4884 for further information.

b. VISTA

In the past VISTA volunteers have been assigned to day care

centers. The volunteer is paid living expenses by the federal government. The VISTA's staff time results in no cost to the center. Persons interested in further information should call the Regional ACTION office at 353-3622.

PARENT FEES

There are two ways to approach setting fees for a child care center. One way is to draw up a realistic budget, determine the weekly cost per child, then charge this amount for each child. If this cost seems to be more than the families who will use the center can reasonably afford you may wish to determine that amount which families can pay on either a fixed fee or a sliding scale basis and balance the budget with funds from other sources.

When deciding between a fixed fee for all families or a fee based on a sliding scale, several questions may be brought up for discussion:

(1) Will the users feel uncomfortable about giving income information?
(2) Will the users feel uncomfortable about contributing at different monetary levels to the center?
(3) Will a fixed fee exclude too many lower income families?
(4) Will a sliding scale require more families with high income levels than are available in your community?

Each center will have to answer these questions for its own particular community. There is no better method. It is impossible to predict which method would provide more income while enrolling the desired market without working out the finances for a particular center.

When beginning to set a fixed fee it is good to get an idea of the approximate incomes of the potential users of your center. If you are conducting an interest survey before you open the center, you might include a question on income. A rough idea of the income distribution in your community can be obtained from the Bureau of Labor Statistics (Information Service and Publications - 300 S. Wacker, phone 353-1880).

It has been suggested that parents can reasonably pay 10% of their combined gross income and often do pay up to 25% of their income for full-day care for one or more children. Table I shows weekly fees calculated at 10% and 20% of varying combined income levels. Clearly, the closer the fee at a center is to the 10% figure the more manageable it will be and the closer it is to the 20% figure the more burdensome it will be to the parents.

Table I

Combined Gross Family Income	Weekly Fee (for one or more children) At 10% of Gross	At 20% of Gross
less than $3,000	$ 2	$ 4
$3,000 to 4,000	6	12
$4,000 to 5,000	8	16
$5,000 to 6,000	10	20
$6,000 to 7,000	12	24
$7,000 to 8,000	14	28
$8,000 to 9,000	16	32
$9,000 to 10,000	18	36
$10,000 to 11,000	20	40
$11,000 to 12,000	22	44
$12,000 to 13,000	24	48
$13,000 to 14,000	26	52
$14,000 to 15,000	28	56
$15,000 to 16,000	30	60

This is a rough guide which may be helpful in initial planning. Keep in mind that individual cases may arise of families with many young children, extraordinary medical expenses, aged dependents, or debt obligations who may not be able to afford child care even within these ranges. Each center will have to ask itself if and to what extent it can afford to subsidize occasional exceptional cases. Alternative ways to enable lower income families to use the center are by providing scholarships or accepting services by parents as in-kind payment.

An alternative to setting a fixed fee is using a sliding scale schedule. A good sliding scale avoids arbitrariness. Each fee should be tailored to fit the particular family, keeping in mind an initial standard fee based on income and family size (for examples, see Table II) and any unusual financial burdens that the family may have. The fee should be changed if family circumstances change.

Table II

Combined Gross Family Income		Weekly Fee for Full-Day Care for One Child* Family Size (includes parent or parents)					
Yearly	Weekly	2	3	4	5	6	7
$2,000-3,000	$ 38-58	$ 7.50	$ 5.00	$ 3.75	$ 2.00	$ 2.00	$ 2.00
$3,000-4,000	59-77	11.00	7.50	5.00	2.00	2.00	2.00
$4,000-5,000	78-96	15.50	12.00	8.50	5.00	2.00	2.00
$5,000-6,000	97-115	20.00	17.50	14.00	8.50	5.00	3.75
$6,000-7,000	116-134	22.00	20.00	17.50	14.00	10.00	5.00
$7,000-8,000	135-154	24.00	22.00	20.00	17.50	14.00	10.00
$8,000-9,000	155-173	26.00	24.00	22.00	20.00	17.50	14.00
**$9,000-10,000	174-192	28.00	26.00	24.00	22.00	20.00	17.50
$10,000-12,000	193-229	30.00	28.00	26.00	24.00	22.00	20.00
$12,000-14,000	230-266	32.00	30.00	28.00	26.00	24.00	22.00
$14,000-16,000	267-303	34.00	32.00	30.00	28.00	26.00	24.00
$16,000-18,000	304-340	36.00	34.00	32.00	30.00	28.00	26.00
$18,000 and over	341-up	36.00	36.00	34.00	32.00	30.00	30.00

* For half-day care, charge about 60% of full-day fee.

** For 2nd or 3rd child in one family using the center at the same time, reduce fee somewhat if family lies above solid line, charge same fee if family is below solid line.

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Let us apply the above tables to a few sample centers operating for sixty (60) children at an average weekly cost per child of $25.00

Table III

Combined Gross Family Income	Estimated Number of Families Based on Community Profile				
	Center A	B	C	D	E
$ 4,000 to 7,000	10	20	30	30	50
$ 7,000 to 10,000	30	20	20	30	10
$10,000 to 14,000	20	20	10	0	0

Our sample center could cover costs by charging a fixed fee of $25.00 per week per child giving a yearly income of ($25.00 x 60 children x 50 weeks) of $75,000. Looking at Table I we can say that $25.00 for one child is manageable for families in the $7,000 to 10,000 bracket (if only one child attends the center) and in the $10,000 and over bracket. However, families in the $4,000 to 7,000 bracket might find $25.00 too burdensome. If you were Center A or B you might try the fixed fee anyway and make special arrangements for a few families, but if you were Center C or D you might decide to try a sliding scale.

Sliding fee variations: Using Table II let us say that the average family in the $4,000 to 7,000 bracket will pay $15.00 per week, a family in the $7,000 to 10,000 bracket will pay $25.00 and a family in the $10,000 to 14,000 bracket will pay $28.00. We can calculate the yearly income for each center using these average figures.

Sliding Fees

	Center A	Center B	Center C	Center D	Center E
	$ 7,500	$15,000	$22,500	$22,500	$37,500
	37,500	25,000	25,000	37,500	12,500
	28,000	28,000	14,000	0	0
Total Fee Income	73,000	68,000	61,500	60,000	50,000
Total Expenses	75,000	75,000	75,000	75,000	75,000
Deficit	$ 2,000	$ 7,000	$13,500	$15,000	$25,000

Notice that for all five centers some money (A-$2,000, B-$7,000, C-$13,500, D-$15,000, E-$25,000) would have to be raised by other means. A center with a 10-10-40, 0-60-0 or 0-40-20 distribution would be able to cover costs from parent fees alone. Also, a center with a number of families making over $14,000 yearly and paying more than $25 for child care, might be able to cover costs.

From the above examples it is obvious that in order that a sliding scale system provide an adequate level of fundirg for the center it will be necessary to attract higher income families, or to take advantage of some of the state and federal programs which can provide substantial portions of the fee for public aid recipients and lower income families (see the Title IVA and Department of Public Aid Program sections in the handout on government funding).

Often a detailed sliding scale is not necessary, but two fixed fees for different income brackets may be sufficient to solve the problem at some centers; for example, $27.50 per child when gross income is over $10,000 yearly and $15.00 per child below $10,000 yearly. In this situation also, enough families must fall into the higher fee scale for the budget and finances to work.

START-UP COSTS

The important thing to remember when estimating start-up costs is to think of everything and then add some extra. The following list includes some of the major and minor (they add up) items most child care centers will have to have before they open their doors. The actual amount you will have to pay for an item will vary greatly from center to center. Some things most centers will have to pay for, such as child size cots, insurance premiums and a director's salary for a month or two before the center opens. Some items can range from zero to many dollars depending on your imagination and the amount of money you have available. For example, toys can be bought from Creative Toys or Community Playthings or they can be collected from the families in your community. If someone has carpentry skills, you can build a dollhouse or toy store for much less than if you bought them. Shelves, tables, chairs and cubbyholes can also be built for much less than they can be bought. Some ideas on how to get something for nothing are included in the list, but use your imagination. Get all your friends, even the whole community involved in getting the child care center off the ground! Everyone can have a part in seeing that the center opens its doors well-equipped and financially sound.

RENOVATION:

Renovation costs can range from $1,000 to $2,000 up to $25,000 depending on what kind of a building you start with and what kind of result you want. Certain changes will have to be made to bring a building in line with licensing requirements. If your budget is limited, keep these requirements in mind while you are looking for a site. A church that has classrooms that it only uses on Sunday may be fairly cheap to renovate (under $5,000) since it probably meets most of the building code requirements already. On the other hand, a storefront may require some major changes, and be more costly to renovate. A single width store front is good for about 25 children and costs $5,000 to $10,000 to renovate. Floor and wall condition, ventilation, lighting and toilet facilities are some major areas to evaluate carefully. We would not recommend a site which would cost much over $10,000 to renovate.

If there is a Chicago Housing Authority or Illinois Housing Development Authority financed building in your area, see if you can take advantage of federal programs which allow rent-free space for day care services (see Housing Programs in section on Government Funding).

In any case a center will have to submit architectural plans to the Mayor's Office of Child Care. Architect's fees can be about $300-$400.

EQUIPMENT:

Equipment costs can also vary widely depending on imagination and energy. Kitchen equipment can easily run up to $6,000. This cost

can be avoided if your site already has some kitchen facilities, or you might find that having your food catered is more economical for your center, depending on its size and possible affiliation with a hospital or factory. Dishes (plastic) and silverware can often be bought or borrowed from another institution that is closing or buying new equipment. Remember that you are serving children; salad plates and salad forks will be easier for them to use than full sized, and more costly, equipment. You will also need juice glasses, small glasses for milk, cereal or soup bowls, teaspoons, some regular forks and knives and large bowls, pitchers, pots and miscellaneous cooking utensils.

JANITORIAL EQUIPMENT includes brooms, mops, pails, sponges, etc.

OFFICE EQUIPMENT includes a desk and chair, file cabinet and possibly a typewriter.

There are several categories of equipment for the children. Classroom equipment includes child size chairs and tables, cabinets and shelves, cubbyholes or individual storage boxes, curtains, cots, blankets and sheets, large toys including blocks and boards, rockers, possible jungle gym, easels, doll carriage, truck, wagon, etc. and other toys such as stuffed animals, dolls, games, puzzles, books and possibly a record player and records.

The licensing section of the State of Illinois Department of Children and Family Services can give substantial help in deciding what equipment you will need and suggesting where to purchase good quality, low cost products.

Some of the following expenses may recur year after year; however, they usually have to be paid the first time before you even open your doors so they are included as start-up costs (and also later as operating costs):

INSURANCE

The types of insurance you will need are:

(1) General Liability - suggested coverage up to $300,000.
(2) Food Liability - suggested coverage up to $300,000.
(may not be necessary if food is catered)
(3) Personal Property - suggested coverage of $5,000.
(more if value of items in day care center exceeds $5,000)
(4) Fire and Extended Coverage - depends on value of building.
(may not be necessary if space is rented and landlord pays building fire insurance)

You can expect to pay $400-600 per year for all your insurance coverage.

DEPOSITS:

Utility companies (water, gas, oil, electricity), the telephone company, a scavenger service and your landlord may all require deposits of various amounts before the center opens.

LICENSE FEE:

In Chicago, the license is $55. This fee can be waived for non-profit child care centers by asking a city alderman to introduce a special resolution to the city council.

LAWYER FEES:

You may need a lawyer in order to incorporate, purchase your site, get tax exempt status (as a non-profit institution), etc.

PUBLICITY:

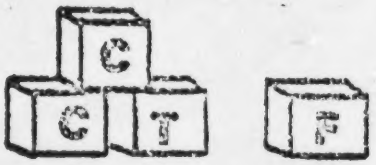
You may want to advertise in the local newspapers or by leafletting in order to let the community know you are open for business, in case they don't already know.

PRE-OPENING MONTH(S):

You will probably want to have access to your site at <u>least</u> one month before you open in order to begin outfitting rooms and getting ready. You may also want to hire a director and a few staff members to set up the program. This means rent and some salaries for at least a month in advance.

CASH RESERVE:

It is absolutely necessary to have enough money on hand on opening day to cover your operating costs for at least two to four months, if not for longer. Bills and pay checks will always have to be paid before the center receives its funds from the parents of the children or from the government. It will take the government <u>a very long time</u> to reimburse the center for expenditures! Be prepared!



SAMPLE BUDGETS

(See attached pages for budget item notes of explanation)

These budgets are based on centers open for 10 hours per day for 250 days per year (5 days a week, 52 weeks, 10 holidays), for 60 children.

SALARIES[1]	Low Budget		Moderate Budget	
Director[2]	$9,000		$10,500	
Secretary/Adm. Asst.[3]	2,150	(½ time)	5,500	(full time)
6 full time teachers[4]	34,500	(@ $5,750)	39,000	(@ $6,500)
Substitute (½ time)	2,750		2,750	
Cook[5]	5,700		5,700	
Janitor (½ time)[6]	2,500		2,500	
Work Study or other[7]	1,750		2,250	
Employee Benefits (at 5.85%)[8]	3,270		3,990	
STAFF SUBTOTAL	$61,620		$72,190	
STAFF TRAINING[9]	250		500	
FOOD[10]	10,500	(70¢/child/day)	11,250	(75¢/child/day)
RENT[11]	4,000		6,250	
UTILITIES[12]				
Phone	400		400	
Electricity	700		800	
Other	350		350	
SUPPLIES				
Art and Educational[13]	900	(6¢/child/day)	1,200	(8¢/child/day)
Office and Housekeeping	600		600	
INSURANCE[14]	400		500	
LICENSE FEE[15]	55		55	
LAUNDRY[16]	0		200	
MISCELLANEOUS	600		600	
SUBTOTAL	$18,755		$22,705	
TOTAL COST (Salaries and Other)	$80,375		$94,895	

(Over for income figures)

INCOME	LOW	MODERATE	
PARENT FEES	$72,000	$82,500	(@ $27.50/ 50 weeks/ 60 children)
U.S.D.A. FOOD SUBSIDIES (65¢/day/child)	9,750	9,750	
FUND RAISING/DONATIONS	0	2,645	
TOTAL INCOME	$81,750	$94,895	
TOTAL INCOME	$81,750	$94,895	
TOTAL COST	80,375	94,895	
SURPLUS (DEFICIT)	1,375	0	

NOTES

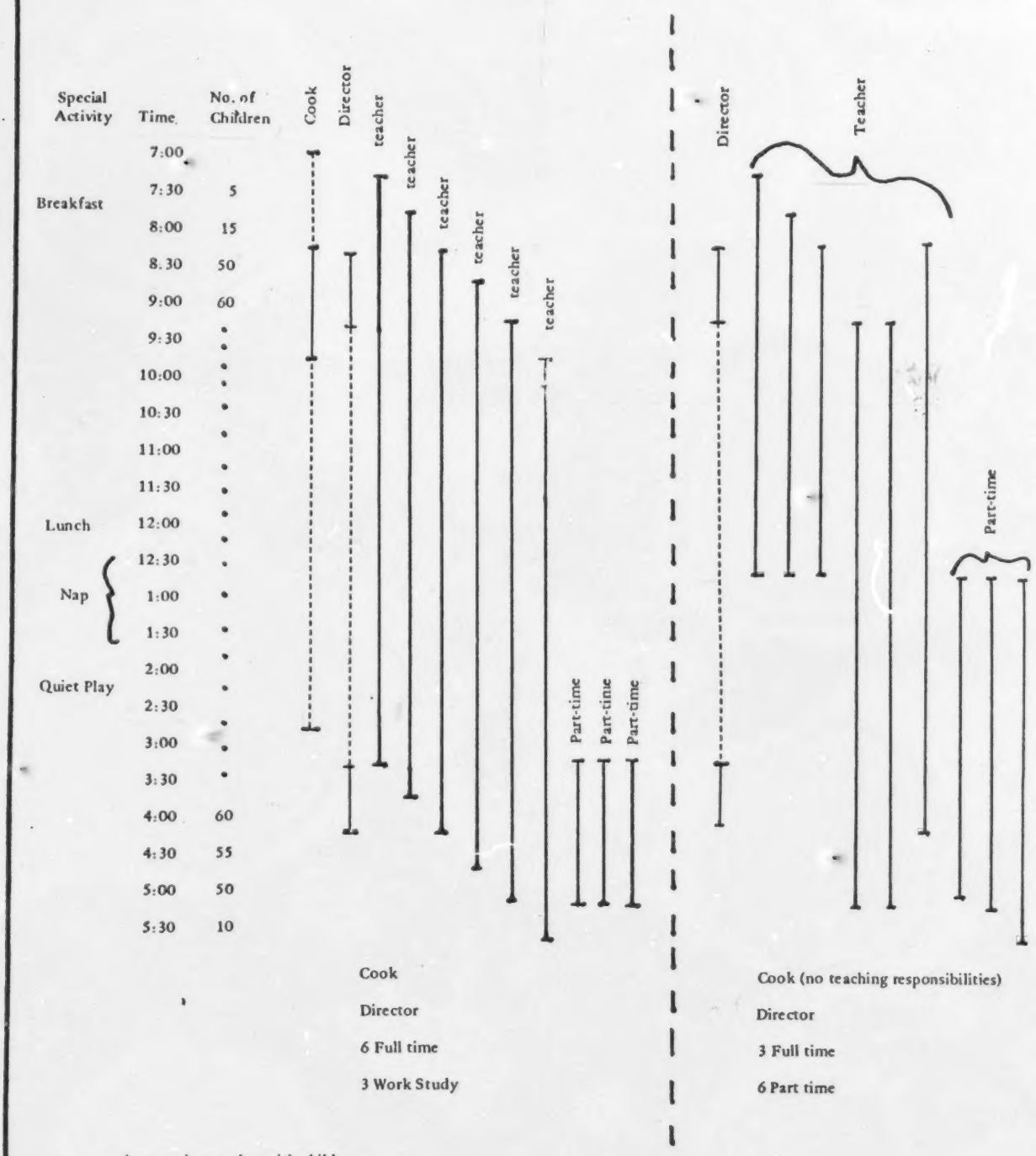
a. A change in the pa... 1 (i.e., lower... 3 or raising it to $25) makes a $3... ...e in your inc... x 50 = 3,000)

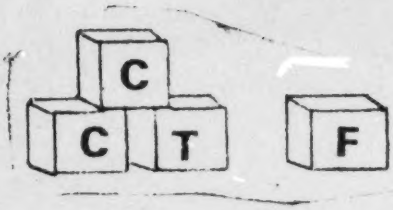
b. If your center is ... a special rat... s with more than one child, the par... ...e must be adju... .

c. You may need to ad... ...ee income to r... rage vacancy rate in your center (i.e... ...e of 1 vacancy ... ing the year means the loss of $1,200) ...applies to def... nts.

d. The "surplus" of $... ...ed in the low ... is not likely to actually happen. ...y will occur o... repair or replace- ment will undoubte... ...ed during the ... is not a bad idea to provide some "c... ...

FIGURE 2. STAFF WORKING SCHEDULES





SAMPLE BUDGETS

Notes

1. Salaries are by far the largest single item in any child care budget. They can average from 75% to 85% of the total expense of running a center. Consequently it is very important to take into consideration different types of staffing structures as well as the goals of the center in determining what kind of, and how many, staff members are to be employed.

   Teacher-child ratios: One must consider both the legal requirements imposed by the State (and Federal Government if federal funding is involved) and one's own goals and needs. Illinois law requires a teacher/child ratio of 2:15 for children under 2 years, 6 months. If a center is federally funded, the ratios required are 1:5 for 3-year olds, and 1:7 for children 4 to 6 years old.

   Obviously, these ratios specify only the minimum number teachers required. Some centers will find they need more staff per child, either because of the type of teaching staff they have employed, the spread of the age level of the children, or because of the educational or other goals of the center.

2. A trained and experienced director is important to the successful functioning of the center. It would serve no purpose to try to cut the budget here. The current rate for an experienced director runs from about $8000 to $15,000.

   Ideally, a director would not be required to have teaching responsibilities in addition to administrative and curriculum responsibilities. However, it is often necessary for a center with a small budget to require the director to double up. Keep in mind that a combined administrative/curriculum director is responsible, in addition to physically keeping the center together, for working with parents, keeping in touch with funding and service programs, observing in classrooms, planning in-service training, and meeting with staff members individually. Find someone with stamina!

   Assistant director: While a center is starting up, and presumably filling to its projected maximum only gradually, there should be no need for an assistant director. It only becomes critical as the center grows in size. The division of responsibilities between the director and assistant will vary from center to center according to its own goals and needs. Depending on the kind of responsibility an assistant assumes, and depending on the experience and training he or she has had, the salary can range from $5500 to $8000.

3. As with an assistant director, a combination secretary/administrative assistant may not be critical at the beginning but can be planned for later as the center grows in size. The job would entail whatever combination of duties a particular center requires; such as secretarial, clerical or bookkeeping work, or working with parents.

   As someone would probably not be needed on a full-time basis, a fortunate center may be able to get a parent or other volunteer for at least some of the required work.

   A salaried assistant, at 1/2 time, should cost approximately $2.00 to $3.00 per hour.

4. It is not our role to enter into the ongoing debate over the merits, or lack thereof, of professional training of teachers for day care centers. However, we will proceed on the assumption that the amount of experience staff members have may make a difference in staffing needs. Experienced staff members may be able to work with a larger number of children than inexperienced workers. Additionally, an experienced staff should not need as much, if anything, in the way of additional staff or consultants for training and supervision.

   On the other hand, experienced staff may command a higher salary. This has to be balanced against the costs of training inexperienced workers and of greater staff needs in order to properly supervise new workers, or because they are able to handle fewer children. All of this must be balanced against a center's goals in education and in providing community jobs.

   A combination of experienced staff members with inexperienced ones is perhaps the most realistic and desirable alternative. In light of the fact that most centers build enrollment gradually rather than starting out at their projected maximum, the on-the-job training that takes place can be concentrated in the beginning when there are fewer children to handle. Additionally, as a new staffer acquires experience, he or she can be in a position to help supervise and train other new staff members.

   This method also enables a center to provide job opportunities and job training to capable but relatively unskilled persons in the community.. In-service or on-the-job training also enables a center to coordinate its staff and familiarize them with the goals of the center.

   Various possibilities for minimizing the costs of such staff training will be mentioned below.

5. A cook's services as cook are required only about 1/2 time--during the preparation of breakfast, morning snack, and lunch. Salary range for a cook is approximately $2.00 to $3.00 per hour.

6. A center's need for maintenance will of course vary depending on its physical plant In general, one can assume the need for at least 4 hours of work per day. This can be done either during the day or in the evening after the center is closed. A half-time salary will run from $2.00 to $2.75 per hour.

7. Part-time help and volunteers: A center may decide to consider part-time help for various reasons, either as part of its regularly scheduled staff--to cover the long hours of a center's operation--or as a needed reservoir of teachers to cover for staff illnesses, vacations, etc.

   Various sources of low-cost part-time help and volunteers are:

   1. VISTA: Contact ACTION, Chicago headquarters.
   2. Foster grand-parent program: Contact Illinois Department of Public Aid, Office of Services for the Aged.
   3. Retired Seniors Volunteer Program: Contact Hull House.
   4. Work Study students: subsidized by the federal government to work 15 hours per week. They earn from $2.00 to $3.65 per hour, depending on the particular program they are in. The government pays 80% of their salaries, with the center contributing the rest.

5. Students on Field Assignment: some colleges with programs in early childhood development will place practice teachers in day care centers. This type of volunteer is more readily available to established centers, or centers with very experienced directors.
6. Parents; community residents.

8. Employee benefits: Fringe benefits can amount to 15% of the cost of salaries paid. Minimally, the center pays social security benefits equal to 5.85% of employees' salaries. In addition, some centers must pay unemployment compensation. A center may also provide workman's compensation and health benefits.

9. Staff training figures will vary widely, depending on the amount of training necessary and the ability of the center to take advantage of free or subsidized resources. For instance, many social service and welfare organizations--both public and private--provide free consulting services. The Task Force is also in touch with a center which has expressed an interest in working with pre-school teachers. This figure will also include the costs of any seminars to be attended by staff members and travel expenses if they are out of town.

10. Government subsidy programs are available to cover the costs of meals and snacks.

United States Department of Agriculture subsidies (U.S.D.A.), while increasingly more difficult to obtain, cover the cost of food up to $.65 per day per child, which is adequate to provide good meals. The requirements for obtaining this subsidy are discussed in the handout on government funding.

Another federally funded program is the Commodities program. This can be obtained independently of the U.S.D.A. subsidies, and is available only to not-for-profit centers. Under this program, a list of staples which may be ordered is available each month. The center need only pay the cost of shipping from Springfield, Illinois. This cost averages around $15/month.

Centers can keep food costs down by wholesale purchasing and by utilizing donated freezer/refrigerator storage space to accommodate bulk purchases.

11. Rent can be a major expense, depending on the kind of facilities used. Many centers have been able to find sympathetic churches which do not need, and are willing to donate, their assembly hall and classroom space during the week.

12. Utilities will include: heat, electricity, gas, telephone, water and scavenger service. Some of these services may be donated by the facility in which a center is housed.

13. Art and educational supplies: a rough estimate for the cost of these supplies is $ .05 per day per child. However, a center's ability to obtain most of these items free is limited only by its imagination. Not only can donations be sought from companies, suppliers and community groups, but they can be collected from parents. Some sources you should consider are:

stationery stores - old paper, pencils, crayons
furniture stores - styrofoam and other padding materials
shoemaker - leather scraps
day cleaners - safety pins
yarn/fabric stores - remnants, scraps, buttons
toy, bookstores, record shops - the obvious
Baskin-Robbins - ice cream cartons
lumberyard - block, wood scraps
parents - ask them to collect: egg cartons, orange juice cans, shirt cardboards, oatmeal cartons, etc.

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14. Fire insurance on the building itself may also be included in the rent--but this should be checked.

15. In Illinois, the annual licensing fee is $55 per center per year. The fee is automatically waived if the center charges no fee for children to attend. The fee may be waived by the City Council for a not-for-profit center if a special bill is introduced by an alderman in the City.

16. Laundering the sheets, blankets, and other items costs approximately $3.00 - 8.00 per week. At some centers this cost is saved by having the parents either take turns laundering sheets or have each parent assume the responsibility of laundering his children's sheets each week.

17. a. Debt service: if a center has borrowed any money, the amount of interest payments plus any capital that is required to be repaid within the year must be included.

b. Doctor-Nurse: While it is not necessary to have a nurse or consulting doctor retained by the center as paid staff, some established relationship must exist with a community doctor or nurse who can be consulted in the case of emergency.

The licensing provisions regarding health also require certain things (such as annual check-up for students and staff and the maintenance of certain health records). While some of these requirements are the responsibility of the parents of the attending children, many centers have beeen able to acquire the services of community physicians to perform annual check-ups. One group has successfully managed to get many doctors in the community to take responsibility for one or two children each; others have had luck with approaching one doctor or one particular medical facility to do most of the required work for them.

c. Auxiliary services and staff: either because a center has available funds or because it has been able to "hustle" a good deal, it may be able to provide additional services to its children and their families. The costs of such services have not been included in the sample budgets, but should be considered by all centers. Such auxiliary services might include:

Parent counseling
Family health programs
Special services for the physically and emotionally handicapped
Job training for parents
Referrals to other social service agencies
Formal education programs for parents or other adults
Special educational programs such as child care, family planning
Transportation to and from the center

18. Staff flow: in addition to the sheer numbers component of teacher/child ratios, one must consider the effective flow of both the staff members and the children. To analyze this aspect, one should determine: the number of children at the center at various hours during the day (allowing for absenteeism); the ages of the children; the number of classrooms used; and activity periods of different intensities (i.e. naps--low intensity; instruction--high intensity).

Because children are often grouped by their age, the number of classrooms being used may make a difference in the number of staff required unless the center has an optimal breakdown in the numbers and ages of children enrolled as related to the classroom sizes.

Also, children do not arrive and leave the center all at once. Consequently, the full staff need not be there at the time the center opens, nor when it closes. Similarly, nap times will require the presence of fewer staff members.

The staff-flow chart shows how staff hours may be staggered to reflect these differences in the center's staff needs.

CASH FLOW PROBLEMS OF CHILD CARE CENTERS

Temporary and severe cash shortages are a major problem for child care centers that deal with government grants. The problem is two fold: first, most of the government programs we have discussed in previous sections of the handbook will not pay you ahead of time for expenses. You must send receipts and proof of money spent, and then get reimbursed. Secondly, reimbursement checks often come on a very irregular basis. Thus, your center can find itself with enought money according to the budget but short on cash in hand at a given moment.

Understanding how cash flows in and out of the center is valuable planning knowledge. Bankers call this "cash flow analysis," which means simply looking at when the cash is received in relation to when it must be spent. It is relatively easy to figure this out by setting up a large columnar sheet on which cash income and cash expenses are itemized on a month-by-month basis. This projected cash flow needs to consider the following factors:

1. It will take time to enroll the maximum number of children. Be conservative in your estimate of how many children (and thus how much income) you will have at the start, and at what rate this will increase thereafter.

2. Because of the above, all equipment should not be purchased at the beginning. (Relicensing for more children, as you purchase more equipment, is a routine procedure.)

3. The number of staff hired at the beginning ought to be geared closely to initial enrollment with additional staff being added only as enrollment increases. (This causes difficulty with staff training, but not to do so may cause bankruptcy.)

4. Enrollment may vary seasonably; plan ahead for summer lulls.

5. Assume the following payment schedules for reimbursement of funds:

   a. Department of Public Aid reimbursements may be received 3 to 6 months after bills are submitted and are very erratic.

   b. Illinois Department of Children and Family Services operating expense reimbursements can be expected within 2 to 3 months at the beginning of the fiscal year (i.e. July), and more promptly thereafter.

   c. Department of Agriculture (Illinois Office of the Superintendent of Public Instruction) simply has no

regular time schedule for reimbursement of funds. Thus, long periods of time may elapse without payment and then two or three months' expenditures may arrive simultaneously.

d. Illinois Department of Mental Health reimbursements are received up to 3 months after submission in the beginning of the fiscal year and 1 to 1½ months thereafter.

e. Head Start reimbursements may be received 1 to 1½ months after submission. In addition, an advance of one months's expenses is possible.

Timely submission of vouchers and mastery of each bureaucracy's procedures will help to speed up payments. Because of the problems related to cash flow, it may be necessary to increase the amount of your start up funds and/or engage in ongoing fundraising projects.

A few banks will give a "line of credit" to state or federally funded centers which receive government reimbursements for operating expenses in large amounts at a time. If the bank knows that the funding program is reliable, that the money is approved, and that reimbursement checkes will be sent sooner or later, it may be willing to give your center a short term loan for the amount of the government reimbursement check you are expecting. When the check actually arrives, it is used to pay back the loan, and the loan has provided necessary cash to operate between reimbursements.

SUGGESTED POLICIES ON FEE PAYMENT

Most centers work on a tight budget and need to fill each available space almost all the time in order to make ends meet. The following suggested rules or guidelines may help you to save some of the income you are likely to lose through absenteeism and turnover of children.

1. A one or two week deposit should be requested at the time of enrollment, to be returned when a child is withdrawn from the center with adequate notice.

2. Two weeks' notice should be required before a child is withdrawn from the center, in order to give the center adequate time to fill that child's space. A center may decide to keep the enrollment deposit if adequate notice of withdrawal from the center is not given.

3. Children on the waiting list must enroll within two weeks of notification of an available space or forgeit the space so that someone else can fill it. (A center may elect to allow a space to be reserved for longer than two weeks if a parent is willing to pay for the space even though his or her child is not yet at the center.)

4. A policy must be established on how many weeks behind a family may get in payment and still keep a child enrolled at the center. The center is most protected if this period is two weeks and the deposit is two weeks, the center may decide to allow a parent to get three weeks behind in payment, but probably should not allow more than a three week lag.

5. Payment must be made even when a child is absent for three or more days of a week, or when a child misses a week or more due to vacation.

6. A policy must be established to deal with families who wish to withdraw a child from the center for the summer. Options are: to ask a parent to hold the space by paying for it (not very realistic), to ask a parent to re-apply in the fall, or to withdraw the child but give her or him priority by placing her or him at the top of the waiting list for re-entry into the center in the fall.

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